

State of Alaska FY2005 Governor's Operating Budget

Department of Labor and Workforce Development Unemployment Insurance Component Budget Summary

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Component: Unemployment Insurance

Contribution to Department's Mission

The Unemployment Insurance program contributes to the department's mission by keeping skilled workers in Alaska and fueling the economy during periods of economic downturn.

Core Services

Provide a convenient and efficient means for clients to apply for Unemployment Insurance (UI) benefits to provide partial income replacement during periods of unemployment. Reduce the duration of unemployment benefits claimed by accurately registering workers in a job matching system and enforcing participation in reemployment services to return displaced Alaskan workers to employment.

Secure Federal Unemployment Tax Act (FUTA) credits for Alaskan employers by remaining in compliance with federal law. Employers receive 90% credit allowances against the federal unemployment tax. Compliance results in an employer tax rate of .8% instead of 6.2% of the first \$7,000 of covered wages.

Classify employers who may be required to contribute to the Alaska UI Trust fund and determine employer tax rates under a statutory experience-rating system. Collect UI Taxes from employers for the payment of unemployment benefits. Work with and educate employers on how to meet the UI tax requirements while minimizing tax rates.

Maintain accounting records of all contributions submitted by employers and deposit contributions into the Alaska UI Trust Fund as required by state and federal statutes and ensure the trust fund solvency is maintained by reviewing UI tax rate calculations with the Trust Fund Solvency Adjustment (TFSA) formula. The TFSA is a surcharge, or credit, applied to employer tax rates, according to statutory schedule, based on the trust fund reserve rate.

Protect the UI Trust Fund by preventing and recovering UI benefit overpayments, conducting audits, investigating UI fraud, and preparing fraud cases for criminal prosecution.

FY2005 Resources Allocated to Achieve Results

FY2005 Component Budget: \$19,202,900

Personnel:

Full time	189
Part time	43
Total	232

Key Component Challenges

The Resource Justification Model (RJM) budget formulation process was implemented in February 2002. The data gathered was used in a weighted formula to determine state specific budget requirements and how funds will be distributed among states. Due to Alaska's large geographical area and small population base the cost ratio per benefit payment is higher than many other more densely populated states. Alaska does not experience the economies of scale that other states do. Using the USDOL mandated RJM, the administrative funding needed to operate Alaska's UI program for federal year 2004 is \$23,214,886. However, we have been notified that our administrative grant is estimated at \$19,198,582. The \$4 million difference may leave the program with insufficient resources to meet anticipated UI operating expenses, which could cause a reduction in service and an increase in benefit payment time. This is especially burdensome considering the increase in operations due to Temporary Extended Unemployment Compensation (TEUC), Temporary Extended Unemployment Compensation for displaced airlines and related workers (TEUC-A), and Extended Benefits (EB).

To offset some of the funding shortfall, UI will use federal Reed Act monies to support an FY2005 increase in the cost of

personal services benefits.

The UI Reform effort is still active at the national level. The current proposal seeks to reduce FUTA taxes by 75%, with the responsibility of funding the UI administration turned over to the states. The proposal allows for a transition period during which qualifying states could receive partial federal funding. After the initial transition period, there is no assurance of future funding and states would be tasked with raising revenue to replace the lost federal funding.

Significant Changes in Results to be Delivered in FY2005

Design and implementation of an Internet based initial claims application will reduce the workload of staff and provide savings in operational costs. The savings can be reinvested in other functions of the program such as improving adjudication quality and the timeliness of benefit payments.

We will increase the convenience to the employer and improve data quality through design and implementation of Internet based filing of new employer registrations and quarterly contribution reports.

Major Component Accomplishments in 2003

Unemployment Insurance benefits totaling \$168,785,731, were paid to 61,635 insured workers. This is an increase of \$36,286,158 from last year.

For the first time employers were able to file their quarterly contribution reports online. A total of 3,070 reports have been filed, resulting in 49,034 employee wage records and \$5,773,710 in contributions due.

Benefit Payment Control increased collection activities resulting in the recovery of \$3.2 million in benefit overpayments. Of this total, \$1,126,678 was recovered through PFD levy requests submitted to the Department of Revenue. A total of 66% of fraud overpays and 90% of non-fraud overpays were recovered. \$549,000 in collected penalties and interest was deposited into the general fund.

Biannual customer surveys were conducted and despite an increased volume of calls received (over 330,000), 96% responded that overall service was adequate or better.

Statutory and Regulatory Authority

Federal Authority:

5 USC Sec. 8501 – 8525
 26 USC Chapter 23
 26 USC Chapter 25
 Social Security Act Title III
 Social Security Act Title IX
 Social Security Act Title XI
 Social Security Act Title XII
 Public Law 93 – 618
 Public Law 103 – 152
 Public Law 107 – 147
 Public Law 107 – 210
 Title 20 CFR, Chapter V

Unemployment Compensation for Federal and Military Employees
 Federal Unemployment Tax Act
 General Provisions Relating to Employment Taxes
 Grants to States for Unemployment Compensation Administration
 Miscellaneous Provisions Relating to Employment Security
 General Provisions, Peer Review, and Administrative Simplification
 Advances to State Unemployment Funds
 Trade Act of 1974
 Mandatory Profiling of UI Claimants
 Temporary Extended Unemployment Compensation Act of 2002
 Trade Adjustment Assistance Reform Act of 2002
 Employment and Training Administration

Statutory Authority:

AS 23.20

Alaska Employment Security Act

Administrative Regulations:

8 AAC 85

Employment Security

Contact Information
<p>Contact: Thomas W Nelson, Director Phone: (907) 465-5933 Fax: (907) 465-4537 E-mail: Thomas_Nelson@labor.state.ak.us</p>

Unemployment Insurance Component Financial Summary

All dollars shown in thousands

	FY2003 Actuals	FY2004 Authorized	FY2005 Governor
Non-Formula Program:			
Component Expenditures:			
71000 Personal Services	12,485.6	13,057.0	13,631.1
72000 Travel	259.1	421.2	180.0
73000 Contractual	3,914.3	4,290.1	5,070.4
74000 Supplies	255.3	659.1	270.0
75000 Equipment	33.4	201.4	51.4
76000 Land/Buildings	0.0	0.0	0.0
77000 Grants, Claims	23.6	0.0	0.0
78000 Miscellaneous	0.0	0.0	0.0
Expenditure Totals	16,971.3	18,628.8	19,202.9
Funding Sources:			
1002 Federal Receipts	16,657.7	18,037.3	18,599.8
1007 Inter-Agency Receipts	201.1	491.5	503.1
1054 State Employment & Training Program	112.5	0.0	0.0
1108 Statutory Designated Program Receipts	0.0	100.0	100.0
Funding Totals	16,971.3	18,628.8	19,202.9

Estimated Revenue Collections

Description	Master Revenue Account	FY2003 Actuals	FY2004 Authorized	FY2005 Governor
Unrestricted Revenues				
State Employment and Training Program	51394	112.5	0.0	0.0
Unrestricted Total		112.5	0.0	0.0
Restricted Revenues				
Federal Receipts	51010	16,657.7	18,037.3	18,599.8
Interagency Receipts	51015	201.1	491.5	503.1
Statutory Designated Program Receipts	51063	0.0	100.0	100.0
Restricted Total		16,858.8	18,628.8	19,202.9
Total Estimated Revenues		16,971.3	18,628.8	19,202.9

**Summary of Component Budget Changes
From FY2004 Authorized to FY2005 Governor**

All dollars shown in thousands

	<u>General Funds</u>	<u>Federal Funds</u>	<u>Other Funds</u>	<u>Total Funds</u>
FY2004 Authorized	0.0	18,037.3	591.5	18,628.8
Adjustments which will continue current level of service:				
-Changes to Retirement and Other Personal Services Rates	0.0	562.5	11.6	574.1
Proposed budget decreases:				
-Decrease Federal Authorization to Reflect Anticipated Receipts	0.0	-562.5	0.0	-562.5
Proposed budget increases:				
-Add Federal Reed Act Authorization to Offset Federal Grant Reductions	0.0	562.5	0.0	562.5
FY2005 Governor	0.0	18,599.8	603.1	19,202.9

Unemployment Insurance Personal Services Information

Authorized Positions			Personal Services Costs	
	<u>FY2004</u> <u>Authorized</u>	<u>FY2005</u> <u>Governor</u>		
Full-time	193	189	Annual Salaries	10,065,283
Part-time	38	43	Premium Pay	0
Nonpermanent	0	1	Annual Benefits	4,450,190
			<i>Less 6.09% Vacancy Factor</i>	<i>(884,373)</i>
			Lump Sum Premium Pay	0
Totals	231	233	Total Personal Services	13,631,100

Position Classification Summary

Job Class Title	Anchorage	Fairbanks	Juneau	Others	Total
Accounting Spvr II	0	0	2	0	2
Accounting Tech I	2	1	8	0	11
Accounting Tech II	0	0	5	0	5
Accounting Tech III	0	0	1	0	1
Administrative Assistant	1	0	2	0	3
Administrative Clerk II	1	0	5	0	6
Administrative Clerk III	2	1	4	0	7
Appeals Referee I	1	0	1	0	2
Appeals Referee II	2	0	1	0	3
Appeals Referee III	1	0	0	0	1
Employ Sec Analyst I	1	1	0	0	2
Employ Sec Analyst II	0	0	10	0	10
Employ Sec Analyst III	0	0	12	0	12
Employ Sec Spec IA	6	2	8	0	16
Employ Sec Spec IB	37	8	27	0	72
Employ Sec Spec II	6	1	4	0	11
Employ Sec Spec III	6	1	4	0	11
Employ Sec Spec IV	0	0	2	0	2
Employment Service Mgr III	0	1	0	0	1
Employment Service Mgr IV	1	0	1	0	2
Field Auditor I	7	2	1	2	12
Field Auditor II	1	1	1	0	3
Investigator II	3	1	1	0	5
Investigator III	1	0	0	0	1
Microfilm Equip Op I	0	0	1	0	1
Microfilm Equip Op II	0	0	1	0	1
Paralegal I	1	0	0	0	1
Prog Coordinator	0	0	4	0	4
Spvr Audit Operations	0	0	1	0	1
Student Intern III	0	0	1	0	1
Supvr, Unempl Ins Tax	0	0	1	0	1
Unem Ins Qtl Contl Auditr	3	1	2	0	6
Unem Quality Contl Supervisor	0	0	1	0	1
Unemp Ins Support Svcs Mgr	0	0	1	0	1
Unemployment Ins Spec II	0	0	12	0	12
Unemployment Ins Spec III	0	0	2	0	2
Totals	83	21	127	2	233